

Market and Sector Insights Covid-19 Impact on Trade:

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Macro Economic Context

Political

The **unwinding** of lockdown in western Europe is continuing. Germany has plans to allow its citizens to travel within Europe from June - providing some hope for the southern European tourist industries.

While lockdowns are being unwound in the western world, the **centre of new infection** activity moving south and to poorer countries. Brazil was the country with the highest number of deaths on May 25th - the first time that any country has had a higher number of deaths than the US since early March.

This phenomenon is exacerbated by the absence of testing material and capacity in many of those countries. South Africa's health minister blamed worldwide shortage of material on causing a decline in the number of tests administered in that country from 20,000 daily in recent weeks to 13,000 on May 25th.

Economic

The European Commission on May 27th proposed a recovery plan that would be funded by €750bn in new borrowing. The proposed plan exceeds the Franco-German agreement for €500bn of joint borrowing agreed last week. that €500bn would be distributed as grants to countries and industries hardest hit and in need of reform for a post Covis-19 reality. The Commission's plan adds another €250bn which would be distributed as loans to further stimulate recovery.

The Commission faces stiff political challenges in passing this proposal. It has published a taxation plan to placate the Dutch, Austrian, Danish and Swedish holdouts who are wary of additional borrowing. The proposal is for a suite of new taxes raised by the commission on plastic, carbon intensive industrial products and tech firms.

The proposals come on the same day that the ECB president said that the eurozone's economy would shrink by 8 to 12 per cent this year, a recession twice as deep as the one that followed the 2008 financial crisis.

Consumers in Europe are saving far more than normal, causing some fear that consumer spending will not rescue the economy in the way that has been expected. Savings rates in four of Europe's five largest economies rose sharply to well above long-run averages in March, according to recently published data from the European Central Bank and the Bank of England. French banks accepted €20bn in saving deposits in March - more than 5 times the €3.8bn deposited on average in March by historical data.

In Germany, where shops have been reopened with new social distancing rules for three weeks, shops have been getting busier every week, but footfall remains 38% below what it was at the start of the year.

Stock rally has continued as markets focus on recovery and reopening. The S&P 500 in the US was above 3000 for the first time since the pandemic started on Monday. European travel stocks rebounded on the German news and amid hopes of salvaging some of the summer - Tui was up 38% on Tuesday trading, and Easyjet up 17%.

Societal

Protests in Venezuela have spread from rich areas to those poorer and traditionally supportive of the President Maduro and the revolutionary socialism which has been in power in the country since 2002. Joblessness and poverty have been exacerbated by Covid-19 and American sanctions.

Sectors Insights

Meat Sector Summary

Beef:

During recent weeks, there has been some welcome recovery in cattle prices at Irish meat plants. The value of the prime Irish composite price, or average price paid in Ireland across all categories and grades of prime animals for the week ending May 16th, stood at €3.48/kg (excluding VAT). This represents an improvement of €0.14/kg over the previous three weeks. However, a critical concern for the sector is that producer prices remain approximately 30c/kg behind this time last year. Base quotes for steers are similar to last week, at between €3.60/kg and €3.65/kg, with an additional €0.05 to €0.10/kg available for heifers. These prices exclude “in-spec” bonus payments. O grade cull cows are generally selling for between €2.85/kg and €3.00/kg. Cattle slaughterings in Ireland for the week ending May 22nd declined by 5,514 head, in comparison with the equivalent week in 2019, to 28,932 head. For the year to-date, supplies have fallen by 5% (37,197 head).

Retail sales data (Kantar) for the Irish market shows a 15% uplift in the volume of beef sold through supermarkets and butcher shops during the four-weeks to April 19th. Most significantly, there was a 26% surge in the volume of mince sold, while steaks also rose by 15%. Consumer research from the AHDB on meat eating habits show that 71% of consumers trust farmers and agree they are doing a good job ensuring food production continues during the pandemic. However, in the UK, the industry wide drive for people to buy British is currently impacting less than a quarter of shoppers, with only 22% saying they would purchase home-grown options if they were more expensive than alternatives.

Live Exports:

Live Exports: For the week ending May 17th, 5,000 live cattle were exported, according to the latest figures published by the Department of Agriculture, Food and the Marine. Out of this total, intra-community trade of calves accounted for more than 4,100 animals. As in previous weeks, Spain was the predominant market for calves, taking over 2,500 head. Other markets for Irish calves included Northern Ireland (612), Italy (549), Poland (250) and the Netherlands (181). During the equivalent week in 2019, there were over 9,000 head of cattle exported, of which almost 8,000 were calves. For the year to-date, overall exports of live cattle from Ireland have declined by 23%, or 45,000 head, to 150,000 head. The primary reason for this decline has been fewer calves being sent to other EU markets, which have collectively fallen by 26%, or 46,000 head, to 116,500 head.

For YTD a total of 70,469 spring lambs have been processed, this is on par to 2019 levels and up 17,000 head on 2018. It is estimated that some 195,000 – 210,000 spring lambs will be processed between now and the end of June. This increase in supplies will result in a downward pressure on prices. For the week commencing 25th May, new season spring lambs are quoting €5.90- €6.00 plus 10c/kg bonus

Pigmeat:

Some minor disruption to pig throughput was reported last week as key export meat plants scale back production where Covid-19 cases were detected. Pig throughput will continue to be somewhat affected again this week as key export meat plants continue to scale back production where staffing levels were affected due to Covid-19 in key sites. For the latest week ending the May 23rd, pig supplies reached 63,501 or over 3,000 head lower compared to the corresponding week during 2019. Demand for pigmeat remains mixed, with retail demand returning to more normal pre Covid-19 levels and foodservice demand still severely impacted. The latest official average price paid for grade E pig prices in Ireland for the week ending May 23rd showed a fall of 4c/kg to 167.7c/kg.

Reports from AMI, an agricultural market information provider in Germany, suggests that Covid-19 is continuing to unsettle the market for slaughter pigs across Europe. Many borders remain closed, as are restaurants, and major events have been cancelled. Across Europe, export meat plants are trying to limit their exposure, and producers are trying to market their existing slaughter pigs as quickly as possible, resulting in some downward pressure on prices. In Italy in particular, export meat plants have significantly reduced their production. As a result, producers are finding it hard to market their remaining pigs and transportation restrictions are also posing a challenge.

Poultry:

Poultry supplies continue to remain largely unaffected at meat export plant level. Demand continues to remain firm, as consumers shop the category more frequently and purchase more per trip in response to lower prices. For the latest 4 week period ending the 19th April, total poultry sales are 24% higher in volume terms compared to the corresponding period during 2019 according to Kantar Worldpanel.

Dairy Sector Summary

Overview:

The past week has seen cautious positive sentiment continue for core Dairy Ingredients. Butter demand remains strong although loadings and shipments are not as feverish as previous weeks. Whey pricing continues to perform well as does SMP and Butter. Caseins are showing some signs of downward price pressure having come off a high of Q1.

EU Pricing and Internal Measures

Week 22/2020	WHEY €/tonne	BUTR €/tonne	SMPE €/tonne	SMPA €/tonne	WMP €/tonne
	€ 750	€ 2,980	€ 2,070	€ 1,930	€ 2,600
WOW +/- EUR/PMT	↑ €0	↑ €130	↑ €70	↑ €30	→ €0

Gouda prices on the German Kempten have fallen steadily since March and have dipped below previous two-year levels averaging €2850/MT for May. Deutsche Markenbutter saw weekly increases of over 13%. Whey prices reported green across the board with Caseins showing some signs of downward pressure. SMP continues to perform well versus hits taken in April – trading in or around €2000+/mt.ex continent.

At time of writing, tonnage offered in respect of aid for private storage total:

SMP: 4,797mt

Butter: 31,034mt

Cheese: 37,837mt

USA Pricing

Average May (mtd) price for CME block cheddar came to €3158/MT versus €2176/MT for the month of April. Butter pricing closed week ending May 22nd at +36% to €2190/mt. Mirroring the situation in Europe, Whey prices continue to perform well, up over 2% week on week with caseins coming under some pressure – Rennet down over 9% week on week. SMP pricing is in line with positive trends of recent weeks in Europe.

Oceania Pricing

With the southern hemisphere's production season over, GDT Event 260 showed a modest increase of 1%. The positive bounce for both European and American cheese and butter is not mirrored in the event which saw both decline by 6% and 1.9% respectively. SMP bounced by 6% versus Event 259.

Alcohol Sector Summary

The hospitality industry remains closed in Ireland and the UK. According to the LVA, 40% of Irish pubs also have restaurant licenses and they plan to reopen on 29th June, rather than the permitted date for reopening pubs, which is August 10th. The on-trade remains closed in many of our key export markets. Where they are open, trade is only very slowly returning as the need to ensure social distancing means that their capacity is reduced by between 30-50%.

The state of Pennsylvania is arguably the most valuable control state in the US, to Irish spirits exporters. It has re-opened a total of 283 of its 600 bricks-and-mortar stores, with more due to open in the coming weeks. Other control states are also reopening while many of the private chains, in open states, remained open throughout the lockdown. The national alcohol ban in South Africa to be relaxed gradually starting this week.

Restaurants and bars in several regions in Germany have reopened. Berlin, Brandenburg, Hesse, Saxony, Thuringia, Mecklenburg, Pomerania, Westphalia Hamburg and Rhineland-Palatinate returning to trade with social distancing laws in force. Other key markets are reopening at different paces and all with social distancing rules in place.

Prepared Consumer Foods Sector Summary

The Covid-19 situation continues to have a varying impact on the Irish Prepared Consumer Foods sector. Clients who have a high proportion of their sales in foodservice are impacted the most. The impact on companies with a retail focus has not been as pronounced with some companies reporting sales growth. Foodservice companies have reported a small increase in demand driven by the reopening of a limited number of drive-thru outlets as well as the production of meal kits. Overall volumes are still significantly reduced. Client companies expect to see an increase in demand when we move to phase 3 of the lifting of the Covid-19 restrictions.

The demand for retail products has remained stable in recent weeks. Consumer shopping and corresponding consumption patterns are starting to settle. Retail sales in chilled meals, in-store bakery and deli products remain suppressed, while sales in ambient grocery products linked to scratch cooking and home baking are in growth. We also see many of our clients changing their business models to online selling, in keeping with current market change.

Farmers' markets were permitted to recommence trading from Monday the 18th of May as part of Phase One of the lifting of Covid-19 restrictions. Market managers and owners have worked hard to implement public health guidelines. Social distancing resulted in 2m distances between traders leading to less stalls than normal in some locations, as well as long queues at some markets with consumers and traders adapting to the new trading environment. Traders who have developed online sales and collection models during the closure are expected to continue with this business model.

Seafood Sector Summary

The domestic market appears to have entered a period of stability with demand there for most species and a good balance being established between supply and demand to meet the local market needs. The stormy weather last week had no serious impact on supply to the Irish whitefish processors and service levels to customers remain strong. Some increases in French auction prices for species such as hake and whiting from April to mid-May gives cause for some optimism but the export whitefish market is still challenging and volumes are erratic. In relation to global logistics developments, it has been reported that the availability of reefer containers is expected to improve over the coming weeks which is a welcome development particularly for the pelagic sector.

The Irish salmon sector continues to record a strong performance in the marketplace. Whilst conventional salmon prices have declined by 11% comparing first 4 months of 2020 to the same period in 2019, Irish organic salmon have held their prices firm and demand is stable in all key markets in Europe.

It has also been reported that there are signs of a small resurgence in demand for Irish shellfish across our main markets in Europe. Although lobster prices are significantly down on 2019, demand seems to have stabilised and there are buyers in the market sourcing Irish lobster.

Some volumes of Irish brown crab are now finding their way to China through the new air freight hub in Schiphol in a project trial that is being pioneered by BIM in cooperation with Bord Bia. Some volumes of Irish oysters are also being shipped via this route and it will be interesting to see how this develops over the coming months, potentially offering a quicker and more cost- Although lobster prices are significantly down on 2019, demand seems to have stabilised and there are buyers in the market sourcing Irish lobster. Some volumes of Irish brown crab are now finding their way to China through the new air freight hub in Schiphol in a project trial that is being pioneered by BIM in cooperation with Bord Bia. Some volumes of Irish oysters are also being shipped via this route and it will be interesting to see how this develops over the coming months, potentially offering a quicker and more cost effective route to market for Irish shellfish producers.

Demand for Irish frozen langoustines has picked up slightly in the Italian market which is a very positive development although prices remain low and stocks are high around the country.

Horticulture Summary

There are no major changes to report for the horticulture sector over the past week.

The demand for edible products through multiple retail remains strong both in the domestic and export markets. The demand for plants is very strong in Ireland since the reopening of garden centres, coupled with good weather.

Market Insights

Retail

In the latest four weeks to May 17th, take-home grocery sales growth in the **UK** accelerated to 17.2% year on year as the Government announced the first stage of easing lockdown restrictions. The good weather boosted sales of chilled dips by 22%, crisps by 28% and carbonated soft drinks by 25%, during the course of the four weeks. While in France, wine and spirits returned to growth with significant increases of 23% in the first week of deconfinement according to Nielsen. Elsewhere IRI reported that the beer and cider category was reporting the strongest post lockdown growth with an increase in sales of 31% in week ending the 17th May, ice-cream sales also jumped by 23% as improved weather conditions also coincided with phase 1 of deconfinement in France.

In **Germany** fruit juice sales in retail have been performing strongly as consumers purchased more healthy and immune boosting products during lockdown. According to the Association of German Fruit Juice Manufacturers, sales of fruit juice increased by 12.8% in the first four months of 2020, with sales in April alone showing growth of 25%.

According to a study on food habits during lockdown by the **Italian** Observatory on Surplus, Recovery and Food Waste, 33% of Italians ate more vegetables, 22% drank more water, 44.5% ate more sweets, and 16% drank more wine. 40% experimented with new types of foods, 86% actively recycled more, and 80% ate more leftovers. 44% of respondents said they gained weight from the lockdown and 37% expressed the need to diet post lockdown. According to the latest Nielsen study, there is an emerging polarization of Italian shoppers between those who have moved to spending in discount stores or on economy products and those who can afford to purchase premium products as Italy emerges from a prolonged lockdown.

Meat sales from April 12 to May 9 were 28 percent higher than in the four weeks ending Jan. 18, before the first reported case of coronavirus in the **United States**, according to data from Nielsen. But the meat industry's troubles with the closure of many slaughterhouses leading to shortages and concerns around conditions may have sparked consumer's interest and provided a boost for plant-based meat substitutes, which had a jump of 35 percent in sales during the same period.

In **Spain** data from the Ministry of Agriculture, Fisheries and Food indicated this week that the Spanish meat industry will lose €300million in 2020 due to the closure of the foodservice foodservice channel. Although household meat consumption grew by 29% in the last two months due this increase in domestic consumption will only compensate 20 of the 32 points lost due to inactivity in the foodservice sector. Spain is carrying stocks of Spanish steak cuts as household consumption shifts towards lower value beef cuts, similar to the 2008 recession.

We continue to see a number of new promotions in a range of markets endorsing local consumption with the latest **Italian** campaign called "[Together with you for Italy](#)", being launched by the Italian retailer Pam Panorama. In **Poland** Jeronimo Martin's subsidiary, Biedronka, is under investigation by Poland's watchdog following accusations of mislabelling of products such as Belgian carrots and Ukrainian cucumbers as Polish, at a time when the Polish government is actively encouraging consumers to make 'patriotic' shopping choices. In South Africa the impact of lockdown on domestic food producers has also led to a call from the Minister of Trade and Industry, Ebrahim Patel, to encourage South Africans to support local food products to help the economy to recover.

Retail Promotions

Recent UK statistics from Edge by Ascential show that supermarkets in the **UK** have increased their level of promotions in the week ending May 17th. Ocado raised its promotions by 76% compared to the previous week, including trebling the number of multi-buys on offer – Waitrose and Tesco increase their promotions by 44% and 15%. Despite this, these levels were still less than those seen in January 2020 before the coronavirus outbreak.

In **Belgium** from the 27th May onwards, Carrefour have decided to lower the price on 1000 products, including both private label and national brands. This will aim to improve purchasing power for Belgians.

In France after a ten week break, the two main distributors of retailer promotional catalogues, Adrexo and Mediapost, delivered 26 million flyers to French homes this week as the major retailers, some of whom had stopped promotions completely for three to five weeks, returned to normal promotional patterns. Mother's day on Sunday 7th June in France was the core theme of many of the retailers promotions this week, with a marked increase in promotions for multipacks, as retailers adapt to new consumption patterns and fewer shopping trips.

In **Spain** also this week we have seen a renewed price promotional effort by the major multiples, particularly the discounters. There have also been reports that retailers like Lidl, Eroski and Carrefour Express are looking to increase their city centre footprint as proximity is one of the new key criteria driving footfall in retail in Spain and this is set to continue as Spain slowly emerges from lockdown. This contrasts with the situation in **Sweden**, where city centre stores suffered most as more people worked from home and shopped in retailers located in residential out-of-town locations.

Personalised loyalty card promotions have also recommenced in **Spain** as retailers try to attract consumers back into categories and stores lost during the lockdown, with value being the main hook due to the economic situation.

In **Benelux**, the CEO of Ahold Delhaize, Frans Muller, is predicting that demand for economy private label products will persist post deconfinement given the economic climate. Health is also expected to become a priority now that consumers have seen the effect of obesity on a Covid-19 prognosis and sustainability awareness is also expected to be higher than previously.

As of the 1st June, cash and carry stores in the **Netherlands** will revert to being accessible only to B2B cardholders. As in many markets cash and carries in the Netherlands had been freely accessible to the general public for a number of weeks in order to both relieve pressure on supermarkets and generate some turnover at a time when restaurants were closed.

Online Retail

37% of **Singaporean** consumers surveyed by Nielsen report an increase in their level of online shopping during the pandemic, with three quarters of these respondents intending to maintain such behaviour even after the outbreak subsides. 40% of respondents also reported utilising food-delivery services in the past month. Meanwhile, **Australian** retailer Woolworths has doubled its online capacity, with sales forecast to reach AUD 3 billion (€1.8 billion) by 2021. It has also launched 60 new meal products catering to consumer convenience and health, such as ready meals, traybakes, one-pan dishes and stir-fry kits.

Spinneys **Dubai** are set to launch their own e-commerce platform soon. This is a new move for Spinneys, as unlike their key competitors, they did not have an e-commerce platform in place before the crisis. While work is underway on their e-commerce site, Spinneys have launched an “email and collect” service for customers over 60. According to Thomson Reuters Zawya.com, UAE retailers have reported that their online sales have increased since the start of the pandemic, as fears over the coronavirus coupled with the mobility restrictions in place, have kept many consumers away from the aisles. Almaya Group, which operates 50 supermarkets in the UAE and had an e-commerce platform in place before the crisis, reported that online orders in March alone increased by 30%. At Carrefour, e-commerce transactions spiked by 300%, while at Union Cooperative, online sales increased by 223% to 18.7 million UAE dirhams during the first three months of the year.

In **Sweden** despite the lack of a formal lockdown e-commerce sales of food have seen a significant increase. Most notably demand for Click & Collect services which increased by 188%, while home delivery increased by 56.8%. In a recent survey, almost one in ten Swedes stated that they will continue to buy more food online in the future.

Foodservice

In response to the impact of COVID-19 on the foodservice industry and the knock-on effect on food and drink producers and suppliers in Ireland, Bord Bia published this week in conjunction with Technomic, a White Paper charting three possible scenarios for the remainder of 2020 as the industry moves to a phased re-opening in a transformed operating environment. Based on a ‘best case scenario’ and taking into account the impact of falling tourism figures, the out of home market in Ireland is predicted to fall in value from €8.5BN at the beginning of 2020 to €4.7BN by the end of this year. Against a forecast ‘worst case

scenario', the market could fall by as much as almost 60% or €5BN in value. In the face of this outlook, Bord Bia's White Paper, available to download from Bord Bia's www.bordbia.ie/covid hub, outlines recommendations and supports available to business as they forward plan and adapt their positioning, products and services.

McDonalds has announced that all of their Drive Thrus in the **UK and Ireland** will have reopened by the 4th June. 40% of Dublin pubs that also hold restaurant certificates say they plan to re-open their doors on 29th June. Under the existing Irish Government roadmap to ease lockdown measures, pubs are not due to reopen until the fifth and final stage - on August 10th.

While the channel remains closed in Ireland, restaurants in regions of **France** classified as "green", where the Covid19 virus is less active, will reopen as of the 2nd June. This currently excludes the greater Paris area which is still classified as red. Restaurant federation representatives have agreed a protocol for reopening with the government which will see the reduction in social distancing requirements to 1m compared to the 2m initially proposed by the government as the channel tries to minimise revenue losses which are still expected to run a -40% to -50% when they reopen due to the social distancing restrictions. While in **Madrid** more than 50% of bars are not expected to reopen until phase 2 of deconfinement, on the 1st June: according to Madrid hoteliers' federation, who reported this week that only 10% of their members have reopened to date. This contrasts with the situation in **Italy** where, according to a survey by the Italian Federation of Public Enterprises, 93% of cafés and bars reopened immediately after restrictions were lifted, however with the drop in business during lockdown and the increased expenditure on safety equipment and measures, some bars have raised the price of coffee by 10-30 cents.

In **Germany** where restaurants have progressively started to reopen regionally since the 9^h May, a Dehoga federal association report claims that almost one in three restaurants in Germany reported that they are operating at between 25% and 50% of their revenue recorded last year in May 2019. A further 30% of restaurants are operating at 10 to 25% of their revenue compared to May 2019. Approximately 17% of the businesses are even achieving less than 10% of sales compared to last year. Similarly in **Thailand**, restaurants have seen a cautious recovery in the numbers of dine-in customers since they reopened on the 30th April and trade sources expect the new norms for this channel to last for over a year, reshaping consumer attitudes well into the future.

According to research undertaken by the restaurant reservations website, TheFork, 71% of the **Dutch** adults interviewed were looking forward to dining out again, which will be possible to a limited capacity from 1st June when the foodservice channel in the Netherlands is due to progressively reopen.

Mintel **China's** most recent consumer impact report found that 19% of consumers have increased their spending on eating-out in May, compared to 14% in April. This corresponds with less people cooking at home daily, which dropped to 73% by beginning of May from 80% at beginning of April. However night clubs in China are starting to return to normal footfall levels at a quicker pace due to the lack of social distancing requirements, with some clubs reporting similar revenue to this time last year. All patrons are however required to register, go through temperature checks, use disposable cups and staff are required to wear gloves and masks.

In the **US** the next round of states reopening for dine-in restaurant service has been confirmed this week. Ohio, Kentucky and North Carolina lifted restrictions on dine in restaurants, with many restricting service to outdoor spaces. Most also prohibit buffets and other self-service

areas and require daily worker temperature checks. Restaurants in Florida and Texas increased capacity in restaurants this week from 25% to 50% as restrictions were further eased. Elsewhere Starbucks is reporting that it has regained 60%-65% of its pre-COVID-19 U.S. sales. Over the past two weeks Starbucks began reopening outlets in the US offering takeaways as part of a broader store transformation plan in place pre-Covid19 which has now been accelerated to increase the number of pick up only stores and extending curb side pick-up options beyond the pandemic.

According to Siteminder, for the first time this past week, the hotel bookings momentum in both the **Netherlands and Norway** increased respectively by 20.64% and 23.24% compared to the same period in 2019. Hotel bookings in **Germany** reported the strongest increase, +25.76%, surpassing the global average increase of 19.39%.

Hurghada, one the most touristic cities in **Egypt** located on the red sea coast has started to witness local tourists' visits. Hotels have reopened and are operating at 25% of their capacity, the limit authorized by the Egyptian authorities. The hotels also hosted foreign and Arab diplomats living in Egypt.

For the first 35 days of the lockdown in **South Africa** no food service restaurants were allowed to open, however since the 1st May as South Africa moved to Level 4 of the lockdown regulations home delivery services resumed in a limited number of QSR outlets, however both McDonalds and Nando's stated that it wasn't economically viable for them to open a large number of outlets before further restrictions are lifted on the 1st June.

Local Manufacture & Logistics

Shippeo published figures this week showing that food and drink distribution accounted for 52% of all road freight in **Europe** during confinement, compared to 34% pre-confinement. However on-time deliveries were impacted by Covid19 protocols with 83% of RDC deliveries reported on-time compared to 92% pre-lockdown. Waiting times at RDCs were on average 51minutes longer than usual whereas delays unloading at store level were reported to be up to 1hour 15minutes due to personnel shortages and the higher volumes of product being delivered.